

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 108 - SB 1729

February 24, 2011

SUMMARY OF BILL: Requires city and special school districts with an average daily membership (ADM) of 10,000 or more students, of whom 75 percent or more are on free or reduced price lunch, to fund their school systems in accordance with the BEP maintenance of effort law. Prohibits these districts from directly or indirectly supplanting city operating funds with state BEP funds. Incorporates the use of an inflationary factor known as the government price deflator (GPD) into the calculation of these districts required BEP local maintenance of effort (MOE).

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures - \$7,118,800*

Assumptions:

- The Memphis City school district will be the sole district impacted by the provisions of the bill.
- Currently, the GPD is incorporated into the overall BEP formula but is not used to determine the individual local education agency (LEA) required match rate for their MOE test.
- The GPD is issued by the University of Tennessee's Center for Business and Economic Research and is currently 1.68 percent.
- According to the state Department of Education, the local portion of the BEP provided by the Memphis City school district is \$423,739,100. Using the GPD inflation rate of 1.68 percent, local expenditures will increase by \$7,118,817 ($\$423,739,100 \times 1.68\%$).
- The MOE for other LEAs will be unchanged.

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*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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